



NORTH CAROLINA GENERAL ASSEMBLY

2021 Session

Fiscal Analysis Memorandum

CONFIDENTIAL

Requestor: Sen. Daniel, Sen. Newton, and Sen. Rabon
Analyst(s): Rodney Bizzell and Brent Lucas
RE: PCS to HB 1057-Mitchell/Hickory-Conover/Buncombe OT Changes

SUMMARY TABLE

FISCAL IMPACT OF PCS HB 1057, V.1 (\$ in thousands)

	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>
Mitchell County TDA Impact					
Mitchell County TDA					
Revenue	300.0	335.0	385.0	445.0	510.0
NET LOCAL IMPACT	\$300.0	\$335.0	\$385.0	\$445.0	\$510.0

FISCAL IMPACT SUMMARY

First, the PCS for H1057 would authorize Mitchell County to levy an additional 3% room occupancy tax, for a total occupancy tax rate throughout the county of 6%. The PCS also brings the existing legislation into conformity with the statutory uniform provisions for occupancy tax and with the House Finance Guidelines for Occupancy Tax. In doing so, the county will be required to establish a tourism development authority (TDA) to administer the funds. The TDA must use at least 2/3 of the funds for tourism promotion and the remainder for tourism-related expenditures. Another consequence of this conformity is that the occupancy tax would apply to the same accommodations to which the State sales tax on accommodations applies.

The second piece of the PCS extends the period through which the City of Hickory must remit the net proceeds of the occupancy tax to the Hickory-Conover TDA from December 31, 2029 to December 31, 2039.

Third, relating to Buncombe County, the PCS would:

- Increase from 10% of the entire net proceeds to 20% of three-fourths of the net proceeds, the amount that the Authority may use for administrative expenses, including salaries, benefits, operations, and facilities;
- Changes the amount to be used for tourism promotion from $\frac{3}{4}$ to $\frac{2}{3}$;
- Splits the remainder of net proceeds between the existing Tourism Product Development Fund and a new fund to be created called the "Legacy Investment From Tourism Fund."
- Establish the "Legacy Investment From Tourism Committee" would be established to review and evaluate proposals in a manner similar to how the Tourism Product



Development Committee operates, which would make recommendations to the Authority regarding use of the funds.

- For both Committees, the PCS would change the vote required to approve projects and modify the TDA membership.

Source: Committee Counsel

FISCAL ANALYSIS

Fiscal Research used historical Mitchell County occupancy tax revenues and the average annual rates of change in these revenues to arrive at the estimate. Occupancy tax collections for Mitchell County are estimated to be around \$300,000 in FY 2022-23. By FY 2026-27, the proposed additional 3% occupancy tax rate would yield approximately \$510,000 in occupancy tax collections for the county.

The remaining two sections of the PCS relate to the Hickory-Conover TDA and Buncombe County and modify the expenditures of proceeds these entities receive; thus, they are not expected to have an impact on revenues and no finance estimate is provided.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

Mitchell County.

FISCAL ANALYSIS MEMORANDUM – PURPOSE AND LIMITATIONS

This document is a fiscal analysis of a bill, draft bill, amendment, committee substitute, or conference committee report that is confidential under Chapter 120 of the General Statutes. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts. This document is not an official fiscal note. If a formal fiscal note is requested, please email your request to the Fiscal Research Division at FiscalNoteRequests@ncleg.net or call (919) 733-4910.

